LAWLER, METZGER & MILKMAN, LLC

1909 K STREET, NW
SUITE 820
WASHINGTON, D.C. 20006
PHONE (202) 777-7700
FACSIMILE (202) 777-7763

DOCKET FILE COPY ORIGINAL

October 1, 1999

Magalie Roman Salas
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: Merger of Qwest Communications International Inc. and U S WEST, Inc., CC Docket No. 99-272.

Dear Ms. Salas:

Enclosed for filing in the above-referenced proceeding are an original and four copies of the Comments of Allegiance Telecom, Inc.

Would you kindly date-stamp the additional copy provided and return the same to the bearer. Thank you for your assistance.

Sincerely,

Michael B. Hazzard

Enclosures

RECEIVED

OCT 01 1999

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of	)	
	)	
Merger of Qwest Communications	)	CC Docket No. 99-272
International Inc. and	)	
U S WEST, Inc.	)	

COMMENTS OF ALLEGIANCE TELECOM, INC.

Robert W. McCausland
Vice President, Regulatory and
Interconnection
Allegiance Telecom, Inc.
1950 Stemmons Freeway, Suite 3026
Dallas, TX 75207-3118
(214) 261-8730

Ruth Milkman
Michael B. Hazzard
Lawler, Metzger & Milkman, LLC
1909 K Street, N.W., Suite 820
Washington, D.C. 20006
(202) 777-7700

Counsel for Allegiance Telecom, Inc.

October 1, 1999

TABLE OF CONTENTS

Page

SUMMARY

Allegiance submits that the petitions filed by Qwest for the transfer of control of U S WEST's authorizations and licenses[1] fail to satisfy the Commission's well-established standards for transfer of control applications. Sections 214(a) and 310(d) of the Communications Act of 1934, as amended ("Act"), require the Commission to consider the competitive effects of any proposed transfer, and the burden of demonstrating that a transfer is consistent with the Commission's pro-competitive goals and the public interest rests squarely on the applicant. Given the numerous competitive and statutory issues raised by its proposed merger with U S WEST, Qwest has thus far failed to make a showing that would enable the Commission to conclude that such a merger would serve the public interest.

The Application fails to note that BellSouth currently owns 10 percent of Qwest and may, pursuant to the contract governing this "strategic alliance," acquire up to 20 percent of the combined Qwest/U S WEST Company. Qwest similarly fails to describe in any meaningful detail what actions Qwest will take to divest or otherwise reconfigure its services within the U S WEST territory to comply with section 271 of the Act. In addition, Qwest fails to articulate the way in which transactions between affiliates will be structured to comport with the Commission's rules and the public interest.

To address these and related concerns, the Commission should require Qwest to file supplemental information describing in detail: (1) Qwest's relationship with BellSouth and how Qwest proposes to meet the Commission's standard for mergers between incumbent local exchange carriers; (2) how Qwest will divest or otherwise reconfigure all of its interLATA interests within the

---

1 *Merger of Qwest Communications International Inc. and U S WEST, Inc.*, CC Docket No. 99-272, Applications for Transfer of Control (filed August 19, 1999) (collectively, "Application").

U S WEST region, including both retail and wholesale operations; and (3) how Qwest/ U S WEST will manage affiliate transactions in accordance with the Commission's rules and the public interest. In addition, the Commission should require Qwest/U S WEST to make specific market-opening commitments to ensure that the benefits of the merger asserted by Qwest are indeed realized.

Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of	)	
	)	
Merger of Qwest Communications	)	CC Docket No. 99-272
International Inc. and	)	
U S WEST, Inc.	)	

COMMENTS OF
ALLEGIANCE TELECOM, INC.

Allegiance Telecom, Inc. ("Allegiance"), by its attorneys, hereby submits its comments in response to the Public Notice released on September 1, 1999 (DA 99-1775) in the above-captioned proceeding. The Public Notice invites interested parties to comment on issues raised by Qwest Communications International, Inc.'s ("Qwest's") applications to the Commission for transfer of control of various authorizations and licenses held by U S WEST, Inc. ("U S WEST").

INTRODUCTION

Allegiance has a vital interest in the issues presented in this proceeding. Allegiance is a competitive local exchange carrier ("LEC") based in Dallas, Texas that provides small and medium-sized businesses with a full array of services, including local, long distance, high-speed data, digital subscriber line, and Internet access services. Allegiance currently operates in 17 markets and plans to offer its services in at least 24 major metropolitan areas in the United States by mid-year 2000. When offering service in markets within the U S WEST service territory, Allegiance will compete directly against the combined Qwest/U S WEST Company if the Commission approves the proposed merger. Thus, ensuring that any such merger is consistent with the Communications Act of 1934, as amended ("Act"), is of critical importance to Allegiance as a new entrant.

The applications filed by Qwest for the transfer of control of U S WEST's authorizations and licenses[2] fail to satisfy the Commission's well-established standards for transfer of control applications. Sections 214(a) and 310(d) of the Act require the Commission to consider the competitive effects of any proposed transfer, and the burden of demonstrating that a transfer is consistent with the Commission's pro-competitive goals and the public interest rests squarely on the applicant. At this time, in light of the numerous competitive and statutory issues raised by its proposed merger with U S WEST, Qwest has not yet made a showing that the proposed merger would serve the public interest.

Qwest fails to note that BellSouth currently owns 10 percent of Qwest and may, pursuant to the contract governing this "strategic alliance," acquire up to 20 percent of the combined Qwest/U S WEST Company. Qwest similarly fails to describe in any meaningful detail what actions Qwest will take to divest or otherwise reconfigure its services within the U S WEST territory to comply with section 271 of the Act. In addition, Qwest fails to articulate the way in which transactions between affiliates will be structured to comport with the Commission's rules and the public interest.

To address these and related concerns, the Commission should require Qwest to file supplemental information describing in detail: (1) Qwest's relationship with BellSouth and how

---

[2] *Merger of Qwest Communications International Inc. and U S WEST, Inc.*, CC Docket No. 99-272, Applications for Transfer of Control (filed August 19, 1999) (collectively, "Application").

Qwest proposes to meet the Commission's standard for mergers between incumbent LECs; (2) how Qwest will divest or otherwise reconfigure all of its interLATA interests within the U S WEST region, including both retail and wholesale operations; and (3) how Qwest/U S WEST will manage affiliate transactions in accordance with the Commission's rules and the public interest. In addition, the Commission should require Qwest/U S WEST to make specific market-opening commitments to ensure that the benefits of the merger asserted by Qwest are indeed realized.

I. QWEST'S ASSERTION THAT ITS MERGER WITH U S WEST IS "FUNDAMENTALLY DIFFERENT" FROM OTHER INCUMBENT LEC MERGERS IGNORES BELLSOUTH'S OWNERSHIP INTEREST IN QWEST

Although Qwest styles its proposed merger with U S WEST as a "combination of a competitive provider and an RBOC"[3] that is "fundamentally different from … ILEC-ILEC mergers,"[4] this simply is not the case. On April 19, 1999, Qwest and BellSouth announced a strategic partnership, the terms of which included BellSouth acquiring a 10 percent equity stake in Qwest for approximately three billion dollars.[5] In addition, under the terms of the Qwest/BellSouth alliance, BellSouth may acquire up to 20 percent of the outstanding shares of Qwest, even if Qwest were to acquire U S WEST. Because the proposed transaction would result in BellSouth owning a substantial portion of U S WEST, the Commission should evaluate

---

3 *Id.* at 2.

4 *Id.*

5 *BellSouth and Qwest Announce Strategic Relationship to Provide Next Generation Digital Communications Services* (released April 19, 1999), attached hereto as Tab A.

the Qwest/U S WEST transaction according to the standard of review used for other BOC/BOC mergers, such as the merger between Bell Atlantic Corporation and NYNEX Corporation.[6]

In the *Bell Atlantic/NYNEX Order*, the Commission stated that its merger framework requires applicants to provide detailed information on a number of issues, including:

- an identification of relative product and geographic markets, and the actual, potential, and precluded competitors in these markets;
- a discussion of barriers to entry or expansion into these markets;
- a description of the potential competitive effects and efficiencies that may result from the merger; and
- an account of any other possible effects that an applicant believes relevant to the Commission's public interest determination.[7]

Qwest fails to address in a meaningful way any of these issues in its Application.

Qwest's own description of its alliance with BellSouth demonstrates that the proposed Qwest/U S WEST transaction could have substantial adverse affects on competition in the BellSouth and U S WEST regions. Under the "strategic alliance":

- "Qwest and BellSouth [engage in] coordinated marketing of services, with Qwest offering its full portfolio of data networking, Internet and voice services. BellSouth … offer[s] a full complement of local networking services."[8]

6 *Application of NYNEX Corporation, Transferor, and Bell Atlantic Corporation, Transferee, for Consent to Transfer Control of NYNEX Corporation and Its Subsidiaries*, Memorandum Opinion and Order, 12 FCC Rcd 19985 (1997) ("*Bell Atlantic/NYNEX Order*").

7 *Id.* at ¶¶ 37-38. *See also*, *Application of WorldCom, Inc. and MCI Communications Corporation for Transfer of Control of MCI Communications Corporation to WorldCom, Inc.*, Order, 13 FCC Rcd 4527, ¶ 4 (1998).

8 *BellSouth and Qwest Announce Strategic Relationship to Provide Next Generation Digital Communications Services* (released April 19, 1999), attached hereto as Tab A.

- "Once BellSouth is allowed into the long distance business, the companies will jointly develop and deliver a comprehensive set of end-to-end, high-speed, data, image and voice communications services to business customers, with a heavy emphasis on the fast-growing broadband and Internet-based data services. BellSouth will assume retail leadership with customers based in the South; Qwest will provide support resources to assist BellSouth in the region as required, with the primary emphasis of the Qwest sales force ... focused on the rest of the country."[9]

The Qwest/U S WEST merger would seem to reduce substantially Qwest's incentive to provide the competitive local and interexchange broadband services contemplated by the Qwest/BellSouth strategic alliance in the U S WEST region. Similarly, a Qwest/U S WEST merger could substantially dampen the competitive efforts undertaken by U S WEST !NTERPRISE[10] in the BellSouth region. These potential competition issues are not even mentioned, let alone addressed, in the Qwest application.

Qwest bears "the burden of showing that the proposed transaction is in the public interest."[11] Qwest's application, however, fails to provide the record information necessary for the Commission to evaluate the requested transfers of control. To remedy this defect, the Commission should require Qwest to submit a supplemental application that enables the Commission to evaluate the proposed transfers of control pursuant to the criteria set forth in the *Bell Atlantic/NYNEX Order*.

---

9 *Id.*

10 U S WEST formed its !NTERPRISE group in 1995 to deploy data services outside of U S WEST's 14-state region. U S WEST !NTERPRISE's activities have expanded into numerous states, including Florida and Georgia. According to U S WEST's most recent annual report, !NTERPRISE generated $533 million in revenues in 1998, a 46 percent increase over its 1997 performance.

11 *Bell Atlantic/NYNEX Order* at ¶ 2.

II. QWEST HAS FAILED TO PROVIDE THE INFORMATION NECESSARY FOR THE COMMISSION TO DETERMINE WHETHER THE PROPOSED TRANSACTION IS CONSISTENT WITH THE ACT'S INTERLATA RESTRICTIONS AND THE COMMISSION'S AFFILIATE TRANSACTION RULES

Qwest's Application inadequately addresses the section 271 issues associated with Qwest's acquisition of U S WEST. The Application provides no information that would enable the Commission to conclude that transactions between successor affiliates to the U S WEST and Qwest operating companies, post merger, will comply with the Commission's rules and serve the public interest. In accordance with its standard transfer of control procedures, the Commission should require Qwest to detail the actions that Qwest and U S WEST will take to ensure that the merged entity will comply with the interLATA restrictions set forth in section 271, the Commission's affiliate transaction rules, and the public interest.

A. Qwest Has Failed To Address Adequately The Section 271 Issues Raised By The Proposed Merger With U S WEST

Although Qwest states that "[a]s of closing, Qwest will not be providing any RBOC-prohibited in-region interLATA services,"[12] it fails to articulate with any specificity the actions it proposes to take to comply with section 271. Even with respect to services expressly mentioned in the Application (presubscribed long distance offered to retail customers in the U S WEST region; in-region calling card, 800, and private line services; and Internet access and web hosting[13]), Qwest is silent concerning the specific measures it will take to comply with section 271. For example, Qwest notes that it will "reconfigure" the way it provisions "Internet access,

---

[12] Application at 13-14.

[13] *Id.* at 14.

web hosting and similar activities to comply with the interLATA restrictions of [s]ection 271."[14] Qwest, however, does not explain how it will "reconfigure" these services.

The problems presented with Qwest's conclusory statements about compliance with section 271 become apparent after reviewing Qwest press statements about the benefits of the proposed merger. In its *Backgrounder Fact Sheet*, Qwest states that "customers will enjoy a superior Internet experience by combining U S WEST's high-speed DSL and VDSL services with Qwest's next-generation Internet backbone stretching across the nation and the world."[15] This seems to imply that Qwest plans to integrate the intraLATA and interLATA pieces of its Internet service in the U S WEST territory, rather than "reconfigure" this service to comply with section 271. A reasonable explanation may exist for the apparent inconsistency, but without further elaboration by Qwest, it is not possible for the Commission to conclude that Qwest will be in compliance with section 271.

Of additional concern to Allegiance is Qwest's omission of any statement regarding its provision of wholesale interLATA services over its backbone network within the U S WEST footprint. Qwest presently resells substantial capacity on its backbone network to carriers that provide end users with interLATA voice and data services. This reseller traffic traverses the Qwest backbone network, which passes through a number of states in the U S WEST region, including Arizona, Colorado, Idaho, Minnesota, New Mexico, Oregon, Utah, and Washington. Section 271's interLATA restrictions apply with equal force to wholesale and retail

---

14 *Id.*

15 *Backgrounder Fact Sheet* (visited Sept. 27, 1999) <http://www.qwest.com/merger/qwest_uswest.html>, attached hereto as Tab B.

telecommunications services; however, Qwest has not yet committed to divest its wholesale interLATA transmission services in the U S WEST region.

B. Qwest Has Failed To Address How Transactions Between Affiliates, Post Merger, Will Comport With The Commission's Rules and the Public Interest

The Qwest petition states that under the terms of the merger agreement, the direct and indirect wholly-owned subsidiaries of Qwest and U S WEST will continue to exist after the merger is consummated.[16] This cryptic statement falls well short of providing a meaningful description of the post-merger relationship between the subsidiaries. The Commission should require Qwest and U S WEST to describe the relationship and anticipated transactions between these subsidiaries, and to specify plans for compliance with the Commission's safeguards applicable to transactions between BOCs and their affiliates, including the safeguards mandated by the Act and the Commission's rules.[17]

Depending on the nature of the transactions, the requirements of section 251 also may apply. For example, if a post-merger Qwest local operating company subsidiary (formerly a U S WEST operating company) acquired or leased fiber facilities from another Qwest subsidiary that operates intraLATA telecommunications facilities, such as dark fiber, those facilities, and the services offered over them would be subject to the interconnection, nondiscrimination, resale, and unbundling requirements of section 251(c). The Commission, therefore, should require that

[16] Application at 9.

[17] *See Accounting Safeguards under the Telecommunications Act of 1996*, Report and Order, 12 FCC Rcd 2993 (1996) ("*Accounting Safeguards Order*"); *see also Implementation of the Non-Accounting Safeguards of Sections 271 and 272 of the Communications Act of 1934, as amended*, First Report and Order and Further Notice of Proposed Rulemaking, 11 FCC Rcd 21905 (1996).

transactions between the local exchange subsidiary and other Qwest subsidiaries be properly disclosed to interested parties, including competitors. One way of ensuring disclosure is to require Qwest to post on the Internet descriptions of any transactions between subsidiaries.[18]

III. THE COMMISSION SHOULD REQUIRE QWEST TO SUPPORT ITS CLAIM THAT THE PROPOSED MERGER WILL CREATE "POWERFUL NEW INCENTIVES TO SATISFY" SECTION 271 BY REQUIRING QWEST TO MAKE SPECIFIC MARKET-OPENING COMMITMENTS TO ENSURE THAT THE ALLEGED INCENTIVES RESULT IN INCREASED COMPETITION

In its Application, Qwest states that "there will be very strong incentives to reenter the in-region market quickly, driven by the combined company's continuing out-of-region interLATA business and its national network."[19] "Indeed," Qwest notes, "the merged company's business objectives depend on its ability to obtain [s]ection 271 relief."[20] Qwest, however, fails to commit to any particular course of action to open U S WEST in-region markets to competition. To ensure that the alleged incentives produce concrete results, the Commission should require Qwest to make the following commitments prior to approving the merger: (1) establish operations support system ("OSS") performance standards and agree to conduct and successfully complete New York-style third-party OSS tests; (2) establish throughout the U S WEST region

---

[18] *See Accounting Safeguards Order* at ¶ 122 (requiring separate affiliates to post on their web sites written descriptions of the terms and conditions of transactions within 10 days of execution). *See also Applications for Consent to Transfer of Control of Licenses and Section 214 Authorizations from Ameritech Corporation, Transferor, to SBC Communications, Transferee*, CC Docket No. 98-141, Ex Parte Presentation, Appendix A at 2-6 (filed Sept. 17, 1999) ("*SBC/Ameritech Proposed Merger Conditions*") (describing affiliate transaction rules that will govern separate advanced services affiliates).

[19] Application at 17.

[20] *Id.*

collocation tariffs that comply with the Commission's collocation rules; and (3) permit region-wide interconnection agreements and commit to a "Most Favored Nation" provision for in-region and out-of-region interconnection arrangements.

A. Qwest Should Commit To Uniform OSS Performance Metrics and New York-Style OSS Testing

The Commission has previously concluded that nondiscriminatory access to an incumbent LEC's OSS is essential to competition.[21] In order for the Commission to conclude that the merger will, in fact, be pro-competitive, Qwest should commit to specific performance standards for basic OSS functions. SBC and Ameritech, for example, have committed to a "carrier-to-carrier" performance plan with two components: (1) monthly reporting to competitive LECs on OSS performance in 20 measurement categories and (2) self-executing penalties payable to the U.S. Treasury should the merged entity fail to meet the OSS performance measures.[22] A Qwest commitment to a similar performance plan, combined with other measures described below, would provide support for the Commission to conclude that the merger is in the public interest.

In addition, Allegiance submits that Qwest should commit to contracting with an independent third party to test its OSS, similar to the OSS test conducted by KPMG Peat Marwick in New York.[23] In the New York third-party test, Bell Atlantic committed to providing competitive LECs with OSS access in accordance with detailed performance measurements, and

---

21 *Implementation of the Local Competition Provisions in the Telecommunications Act of 1996*, Second Order on Reconsideration, 11 FCC Rcd 19742-43 (1996).

22 *SBC/Ameritech Proposed Merger Conditions* at ¶¶ 23-24.

in cases where KPMG found that Bell Atlantic's performance was inadequate, Bell Atlantic continued testing until it improved and ultimately received a passing mark. Allegiance recognizes this type of comprehensive, "drill-until-you-pass" test as superior to OSS tests based on third-party observation of the incumbent's performance. Specifically, under the New York approach, the independent testing agent actually has to work with materials made available by the incumbent to develop OSS interfaces, rather than simply observe already-established efforts by competitors. The "observation" approach, by contrast, ignores the initial OSS interface establishment process, which is one of the most difficult undertakings that a competitor goes through in entering an incumbent LEC's service territory. A Qwest commitment to third-party OSS testing similar to that utilized in New York would therefore indicate that Qwest is indeed serious about taking the steps necessary to open the U S WEST region to competition.

B. Qwest Should Commit To Establishing Collocation Tariffs Throughout The U S WEST Region That Comply With The Commission's Rules

To open U S WEST's markets to competition from facilities-based providers, such as Allegiance, Qwest should commit to a collocation compliance plan similar to the plan in the SBC/Ameritech proposed merger conditions. In advance of the merger closing date, SBC/Ameritech has agreed to file in each of its in-region states a collocation tariff (or amendments to existing tariffs) that contains "all rates, terms, and conditions necessary to bring SBC/Ameritech's provision of collocation into compliance with the Commission's governing

[23] *See* New York Pubic Service Commission, Case 97-C-0271, *Pre-Filing Statement of Bell Atlantic-New York* at 33-34 (April 6, 1998).

rules."[24] In addition, SBC/Ameritech has committed to engage an independent auditor to monitor and evaluate ongoing compliance with the Commission's collocation rules.[25]

The Commission adopted its collocation rules "to enable competitive LECs to compete effectively with incumbents."[26] A commitment to a specific time frame for complying with the Commission's collocation rules would support the conclusion that approval of the merger would advance competition.

C. Qwest Should Permit Region-Wide Interconnection Agreements And Adopt A "Most Favored Nation" Policy For In-Region And Out-Of-Region Interconnection Arrangements

The process of negotiating or arbitrating interconnection agreements with a BOC in each of its in-region states can substantially delay the deployment of competitive services by a new entrant, such as Allegiance. To facilitate rapid competitive entry throughout the U S WEST territory, Qwest should commit to negotiating region-wide interconnection agreements and adopt a Most Favored Nation policy for in-region and out-of-region interconnection arrangements, similar to the commitment made by SBC and Ameritech.[27]

Under such a policy, Qwest would make available to any requesting telecommunications carrier in the U S WEST region any interconnection term or condition provided through a negotiated agreement. In addition, Qwest would make available to competitors in the U S

24 *SBC/Ameritech Proposed Merger Conditions* at ¶ 38.

25 *Id.* at ¶¶ 39-41.

26 *Deployment of Wireline Services Offering Advanced Telecommunications Capability*, CC Docket No. 98-147, First Report and Order and Further Notice of Proposed Rulemaking at ¶ 18 (released March 31, 1999).

27 *See SBC/Ameritech Proposed Merger Conditions* at ¶¶ 42-44.

WEST region any interconnection agreement term or condition of which Qwest/U S WEST availed itself outside its home territory. Through adopting such a policy, Qwest would add support its asserted commitment to opening U S WEST markets to competition and competing as a new entrant outside of the U S WEST territory.

CONCLUSION

For the reasons set forth above, the Commission should require Qwest to take the steps outlined in these comments in order to create an adequate record for the Commission to evaluate whether the proposed merger would serve the public interest.

Respectfully submitted,

Ruth Milkman
Michael B. Hazzard
Lawler, Metzger & Milkman, LLC
1909 K Street, N.W., Suite 820
Washington, D.C. 20006
(202) 777-7700

Counsel for Allegiance Telecom, Inc.

Robert W. McCausland
Vice President, Regulatory and Interconnection
Allegiance Telecom, Inc.
1900 Stemmons Freeway, Suite 3026
Dallas, TX 75207
(214) 261-8730

Dated: October 1, 1999

A

TAB A

More press releases...

April 19, 1999

BellSouth and Qwest Announce Strategic Relationship To Provide Next-Generation Digital Communications Services

BellSouth Takes 10 Percent Stake In Qwest

Atlanta, April 19, 1999 -- BellSouth Corporation (NYSE:BLS) and Qwest Communications International Inc. (NASDAQ:QWST) today announced a strategic relationship that will significantly accelerate the companies' efforts to provide a full set of integrated digital data, image and voice communications services to their customers. The relationship includes three basic components:

Qwest and BellSouth immediately begin coordinated marketing of services, with Qwest offering its full portfolio of data networking, Internet and voice services. BellSouth will offer a full complement of local networking services.

Once BellSouth is allowed into the long distance business, the companies will jointly develop and deliver a comprehensive set of end-to-end, high-speed data, image and voice communications services to business customers, with a heavy emphasis on the fast-growing broadband and Internet-based data services. BellSouth will assume retail leadership with customers based in the South; Qwest will provide support resources to assist BellSouth in the region as required, with the primary emphasis of the Qwest sales force will be focused on the rest of the country.

And finally, as part of the agreement, BellSouth will invest approximately \$3.5 billion at \$94.50 a share for about a 10 percent equity stake in Qwest. Qwest will issue 20,350,000 new shares to BellSouth in exchange for approximately \$1.93 billion in cash. At BellSouth's request, Qwest's principal stockholder, Anschutz Company, will sell 16,650,000 shares to BellSouth for approximately \$1.57 billion. This will reduce Anschutz

Company's ownership interest in Qwest to approximately 39 percent.

"This is a significant step in our objective of becoming the premier data communications provider to our customers," said Duane Ackerman, Chairman and CEO of BellSouth. "This relationship allows our customers to enjoy the range of benefits from a comprehensive set of Internet and broadband digital solutions."

Once BellSouth receives permission to enter the long-distance market, the two companies will offer seamless, high-capacity and high-speed network services such as frame relay, ATM, and Internet Protocol and advanced applications including web-hosting, electronic commerce, video streaming, Managed Network Services, Managed Software Services and enhanced virtual private network services.

"We are delighted to have this strategic relationship with a like-minded, customer-focused company that is committed to offering customers end-to-end high-speed communications services and who understands the tremendous potential the Internet and data communications marketplace has to offer," said Joseph P. Nacchio, Qwest Chairman and CEO. "Moving forward, the BellSouth/Qwest relationship will provide customers with a comprehensive communications solution set and global reach that is unmatched in the industry."

The companies also pointed out that after BellSouth receives approval to offer long- distance data and voice services, the agreement will enable both of them to use each other's assets to develop infrastructure and/or distribution capabilities in serving their respective customers across the globe. BellSouth has extensive operations throughout Latin America as well as significant presence in Europe. Qwest has a stronger presence in Europe and is beginning to move into the Asia/Pacific and Latin American regions.

In addition, the relationship will also use the strategic alliances each has with key Internet and technology companies including Microsoft, Cisco, Lotus and others to the customers' advantage.

"There is a natural fit to our strategies that bodes well for our customers in the future," said Ackerman. "Given the rapid change occurring in the communications industry potential to be an even more significant driving force."

The equity aspect of the transaction is subject to Hart-Scott-Rodino review. The deal is expected to close by the end of May.

BellSouth is a $23 billion communications services company. It provides telecommunications, wireless communications, cable and digital TV, directory advertising and publishing, and Internet and data services to nearly 34 million customers in 19 countries worldwide.

###

For more information about BellSouth Corporation, visit the BellSouth Web page at: http://www.bellsouth.com. For more information about Qwest Communications International Inc., visit the Qwest Web page at: http://www.qwest.com.

Reporters: There will be audio press conference call with BellSouth Chairman and CEO Duane Ackerman, and Qwest CEO and President Joe Nacchio today at 10:00 a.m. EDT. Please call 1-800-252-8295 and request the BellSouth/Qwest call to join the press conference.

Editors: B-roll footage on BellSouth and Qwest will be available today. First feed is from 8:00 a.m. - 8:30 a.m. EDT: C-Band, Galaxy 6, Transponder 5. Second feed is 1:30 p.m. - 2:00 p.m. EDT: C-Band, Galaxy 6, Transponder 9.

BellSouth Note: This release contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and are based on a number of assumptions, including but not limited to: (1) continued domestic economic growth and demand for BellSouth's services; (2) economic, monetary, regulatory and political stability where BellSouth conducts its international operations; (3) the reasonable accuracy of BellSouth's expectations of the impact on its international operations of weakening currencies in Latin America as compared to the U.S. dollar; (4) the reasonable accuracy of BellSouth's expectations of the results of regulatory actions as well as costs and recoveries with respect to access reform, universal service and interconnection; (5) the reasonable accuracy of BellSouth's estimate of regulatory authorization to provide wireline long distance services and the impact of competition in its markets; and (6) satisfactory identification and completion of Year 2000 software and hardware revisions by BellSouth and entities with which it does business. Any developments significantly deviating from these assumptions could cause actual results to differ materially from those forecast or implied in the aforementioned forward-looking statements.

Qwest Note: This release may contain forward-looking statements that involve risks and uncertainties. These statements may differ materially from actual future events or results. Readers are referred to the documents filed by Qwest with the SEC, specifically the most recent reports which identify important risk factors that could cause actual results to differ from those contained in the forward-looking statements, including potential fluctuations in quarterly results, dependence on new product development, rapid technological and market change, failure to complete the network on schedule and on budget, financial risk management and future growth subject to risks, Qwest's ability to achieve Year 2000 compliance, and adverse changes in the regulatory or legislative environment. Qwest undertakes no obligation to review or confirm analysts' expectations or estimates or to release publicly any revisions to any forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

Contact Information:

Media Contact:
Qwest Communications
Tyler Gronbach
(303) 992-2155
tyler.gronbach@qwest.com

Investor Relation Contact:
Qwest Communications
Lee Wolfe
(800) 567-7296
IR@qwest.net

Home | About Qwest | Investor Relations | Business | Consumer

Contact the Webmaster

B

TAB B

Return to Press Releases...

Backgrounder Fact Sheet

Next-Generation Network

The combined company will take the nation's fastest, most reliable advanced fiber-optic network — with more bandwidth than the networks of AT&T, Sprint, and MCI Worldcom combined — and link it directly to 29 million customers.

- Qwest's 2.4 gigabit (OC-48) nationwide Internet Protocol (IP) backbone network will connect directly with U S WEST's advanced network.
- Combined, the two companies will be able to serve customers with more than 2.6 million miles of deployed fiber in the U.S. and another 1.3 million deployed fiber worldwide.
- The power of this combination will be fully unleashed when interLATA service restrictions are lifted.
- Qwest will connect directly with a U S WEST network that features 99.2% digital switching technology.
- The new company will bring to customers U S WEST's advanced frame relay offerings — one of the nation's largest — combining forces with U S WEST's 417 frame relay switches, 60,500 frame relay ports and over 93 ATM switches.
- Qwest customers will enjoy a superior Internet experience by combining
U S WEST's high-speed DSL and VDSL services with Qwest's next-generation Internet backbone stretching across the nation and around the world.

IP-Hosted Applications

Beyond offering customers high-speed "pipes," Qwest and U S WEST will offer customers one of the nation's most robust set of Internet and Web-Hosting services.

- Through Qwest's newly announced Cyber.Solution service, the combined company will be able to offer U S WEST business customers web-hosted enterprise resource planning, sales force automation, and customer service applications through alliances with KPMG, Siebel Systems, SAP, and Oracle.
- Through U S WEST hosted applications portfolio, customers will have access to: Real Networks streaming media, database

hosting, Lotus Notes and Domino hosting services, distance learning applications, as well as Sun Microsystems and Microsoft-managed platform solutions, hosted e-mail and collaboration services, managed firewall solutions, and hosted applications from USinternetworking services.

Internet Access

When combined, Qwest and U S WEST will be one of the nation's leading providers of high-speed and direct access to the Internet.

- Qwest's Macro Capacity Fiber Network will now have direct access to local loops serving 29 million U.S. customers.
- U S WEST dial-up, ISDN, T1, DSL and VDSL customers will enjoy superior Internet access with direct connections to Qwest's national and international infrastructure.
- The new company will offer one of the nation's largest offerings of direct private networks.
- The two companies will be able to combine U S WEST's pioneering work in wireless data and Qwest's ART wireless technology to focus on new wireless data opportunities for both business customers and consumers.

Qwest/U S WEST Firsts

U S WEST

- In September 1997, U S WEST introduced ***Advanced PCS***, the first-in-the-nation "one-number" integrated wireless/wireline service.
- U S WEST was first in the roll-out of broadband ADSL, and continues to lead in deployment of ***MegaBit Services***, a high-speed Digital Subscriber Line (DSL) data service. Passing some 5.5 million homes, this "always-on" service now provides the benefits of the Information Age to some 50,000 residential and business customers - and nearly half of the DSL subscribers nationwide.
- U S WEST offers the nation's first integrated digital TV and on-line service over existing home phone lines, utilizing ***advanced VDSL technology***, now with 4,000 customers and over 100,000 homes passed in Phoenix.
- U S WEST !NTERPRISE has achieved a top 3 position as a ***national frame relay service provider***, with over 6,000 customers, 65,000 ports, 417 switches and nationwide coverage.
- U S WEST !NTERPRISE is 1st to market with integrated 'Internet appliances' for the consumer market, including ***WebVision*** (ADSL enabled WebTV-like capability), low-cost ***'Web Phones'*** and ***Web-to-Go*** Internet wireless PCS services.
- U S WEST !NTERPRISE has achieved 1st tier ISP performance

— achieving the best 1st year penetration of all RBOCs as a consumer ISP, with over 225,000 subscribers for the company's ***U S WEST.net*** Internet service.

- U S WEST Dex continues to be an industry leader with the availability of its ***Internet Yellow Pages***. This service provides customers with continuously up-to-date directory information, and now attracts nearly 2 million visits per month - a threefold increase from early 1998 levels.

Qwest

- Built the industry's first native IP network with more bandwidth that the networks of AT&T, Sprint and MCI Worldcom combined.
- First communications company to offer voice services over an IP network to businesses and consumers.
- In the fall of 1998, Qwest announced that it would be the first company to offer OC-48 IP high-speed connectivity to businesses in the U.S.
- Qwest offers frame-relay services to more international destinations than any of the other major carriers.
- More that 70% of Cisco's latest, state-of-the-art routing technology is deployed in the Qwest network.
- First major company to offer businesses end-to-end, hosted-Internet applications.

Global Telecommunications Comparisons

Qwest/U S WEST

- 1998 Revenues $14.6 billion.
- Next-generation data network.
- Developing trans-continental links between Asia, North America, and Europe.
- 4th largest long distance company.
- Leader in data networking (frame relay, ATM, LAN-switched services) DSL data services, VDSL multimedia services, and in-region advanced PCS wireless service.
- Serves 25 million local customers.

AT&T

- 1998 Revenues $59 billion.
- Operates nation's largest long-distance business.
- Offering local business service through TCG acquisition.
- Also entering local market via cable acquisitions of TCI and MediaOne - facing upgrade costs to convert network for Internet and telephone use.
- Launched BT venture.

MCI Worldcom

- 1998 Revenues $17.7 billion.
- Operates one of the world's largest data networks.
- Second largest long-distance company.
- Offering local business service.

Sprint

- 1998 Revenues $17.1 billion
- Third largest long distance company
- Holds major assets in every telecommunications business.
- Operating nation-wide PCS wireless service.

CERTIFICATE OF SERVICE

I, Michael B. Hazzard, do hereby certify that on this day of October 1, 1999, I caused a copy of the foregoing Comments of Allegiance Telecom, Inc. to be served by messenger, upon each of the parties on the attached service list.

Michael B. Hazzard

SERVICE LIST

Magalie Roman Salas
(Orig. & 4 copies)
Secretary
Federal Communications Commission
445 12th Street, SW
Room TWB-204
Washington, DC 20554

International Transcription Service
445 12th Street, SW
CY-B402
Washington, DC 20554

Office of Public Affairs
445 12th Street, SW
Room CY-C314
Washington, DC 20554

Margaret Egler
Common Carrier Bureau
445 12th Street, SW
Room 5-C100
Washington, DC 20554

Lauren Kravetz
Wireless Telecommunications Bureau
445 12th Street, SW
Room 4-A163
Washington, DC 20554

Joanna Lowry
International Bureau
445 12th Street, SW
Room 6-A831
Washington, DC 20554

CeCi Stephens
(1 copy and 1 disk)
Policy and Program Planning Division
Common Carrier Bureau
445 12th Street, SW
Room 5-C140
Washington, DC 20554